



GLOBAL TALENT MARKET QUARTERLY

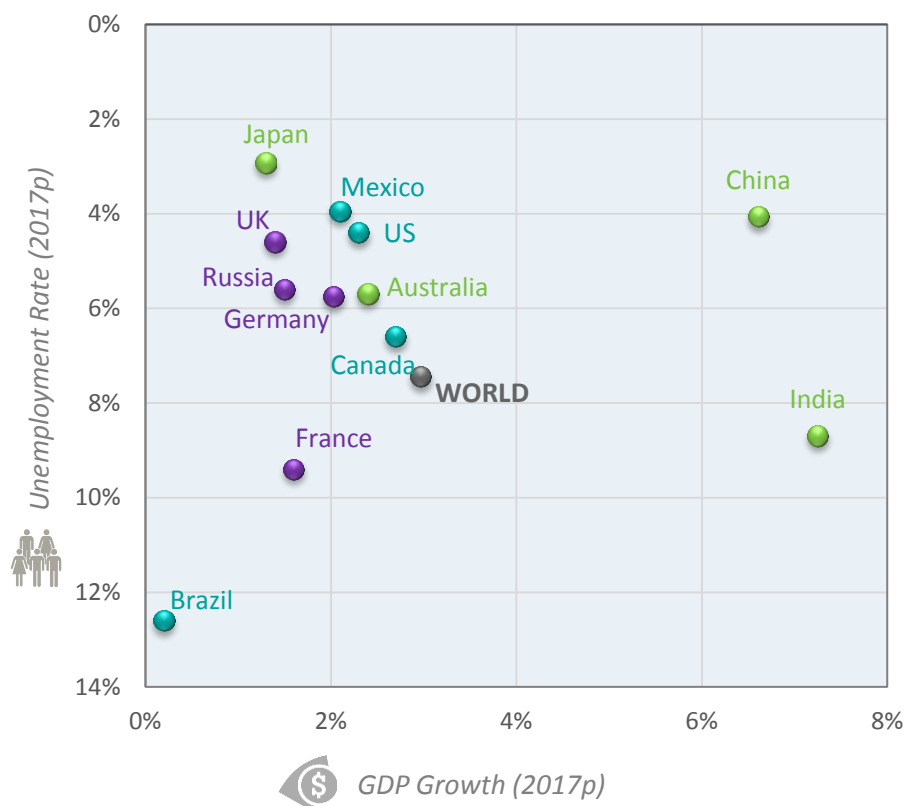
THIRD QUARTER | 2017

KELLY[®]

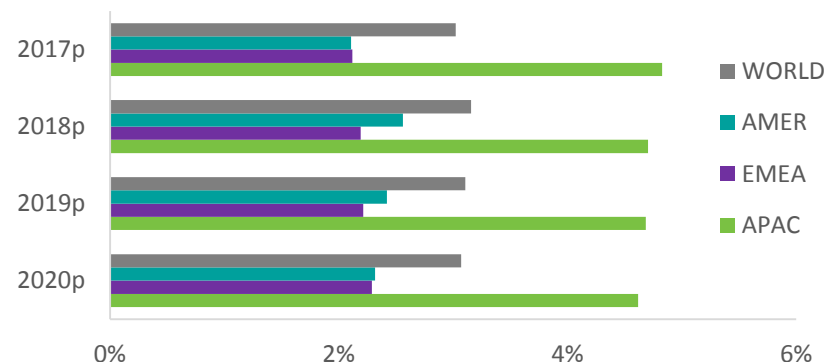


World economic growth is projected to reach 3% in 2017, buoyed by a number of positive factors including: modest performances across North America, the Eurozone and many other key economies; the gradual emergence of Russia and Brazil from recession; and ongoing high growth in India and China. Despite the relatively favorable outlooks, geopolitical risks ranging from Brexit complications to potential trade wars and beyond have the potential to derail the steady global growth engine.

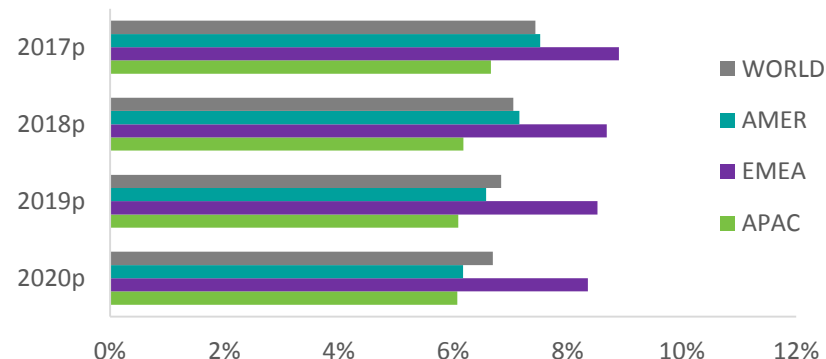
GLOBAL ECONOMIC & LABOR MARKET SNAPSHOT



GDP Growth

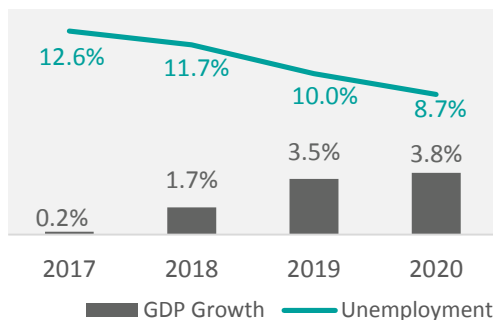


Unemployment Rate



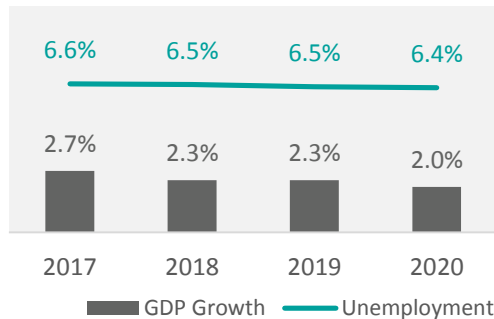
Much of the Americas region—including North America, along with countries such as Colombia, Peru, and Chile—is forecast to see steady growth in the short term, but other key markets including Brazil, Argentina, and Venezuela are struggling with economic and political crises.

BRAZIL



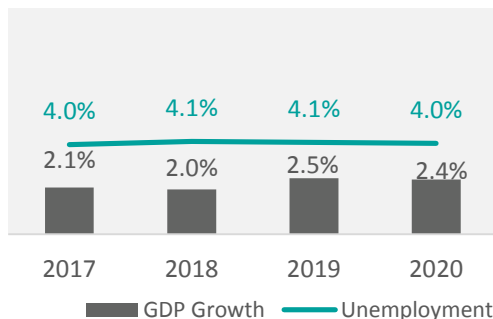
While Brazil is expected to gradually exit recession in 2017, its lingering economic and political troubles are significant. Labor market conditions also remain challenging, although reforms passed in July aim to increase flexibility.

CANADA



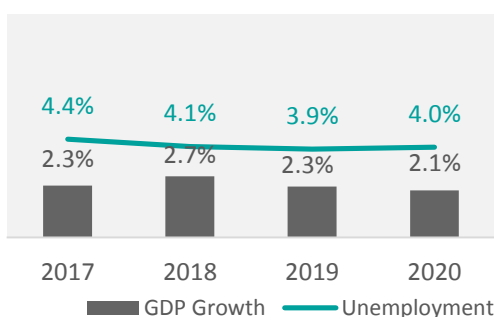
The Canadian economy is seeing strong upward momentum, with balanced growth coming from consumer, public, and private sector spending. The jobless rate continues to drop, and employment is expected to grow by 1.7% in 2017.

MEXICO

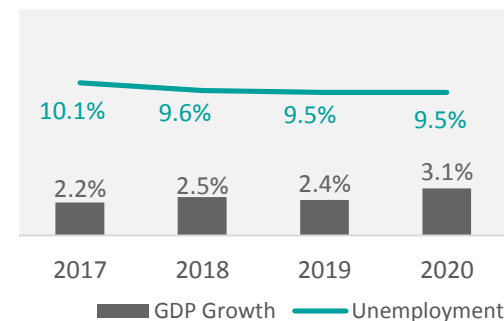


Tight monetary and fiscal policies aimed at reducing the deficit and inflation, along with uncertainties stemming from NAFTA renegotiations, are keeping Mexican growth subdued. The uncertainty, along with public sector cuts, will also moderate job creation.

US



The fundamentals underlying the US economy remain strong, with decent growth predicted in the near term. The labor market continues to generate jobs at a brisk pace, although the tight labor market has yet to translate into stronger wage growth.

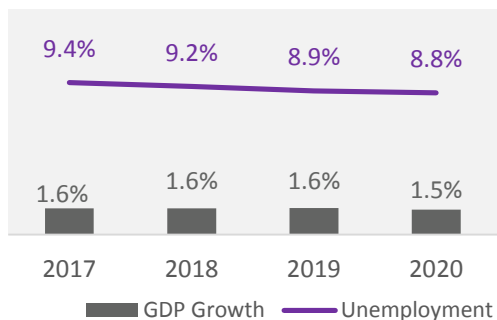
COUNTRY SPOTLIGHT
COLOMBIA

Growth in the Colombian economy has moderated in recent years, a by-product of lower oil prices. The government's Fourth Generation (4G) infrastructure program, which aims to build and improve roads throughout the country, will continue to be an important driver of growth. GDP is expected to advance by 2.2% in 2017 and 2.5% in 2018.

The unemployment rate dipped below 10% in the first half of 2017, with job growth coming from the agriculture, livestock, forestry, fishing and manufacturing industries. Unemployment is expected to remain in the single digits over the short term. The Colombian national statistics department (DANE) also reported that informal employment fell to a record low 46.7% between March and May 2017.

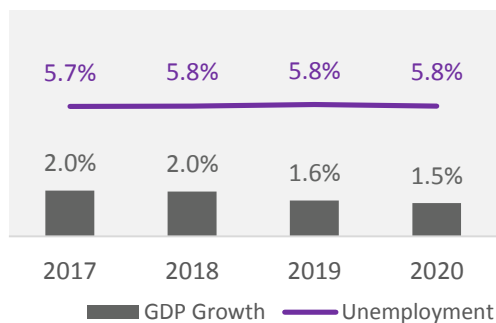
The outlook for growth in much of Europe is steady and even brightening, and Russia has begun to emerge from its economic troubles. In the UK, however, a slowdown is predicted as the country prepares to exit from the European Union and uncertainty levels rise.

FRANCE



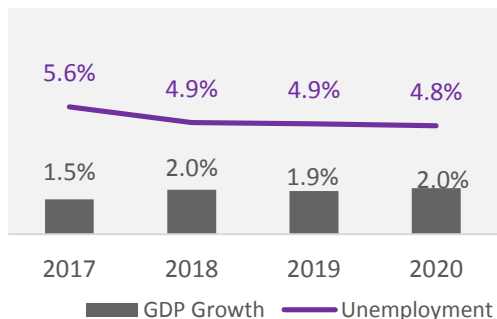
The French economy has gained momentum in 2017, and solid, steady growth is projected in the short term. The labor market likewise has seen significant improvements—including employment growth hitting a six-year high in Q2 2017.

GERMANY



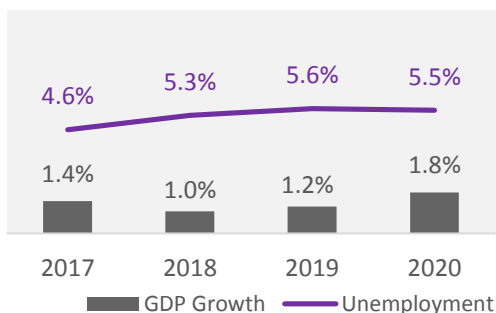
In Germany, economic stability continues to be driven by strong domestic demand, with GDP growth projected at 2% for 2017 and 2018. Robust employment growth has maintained and even gained some momentum in 2017.

RUSSIA

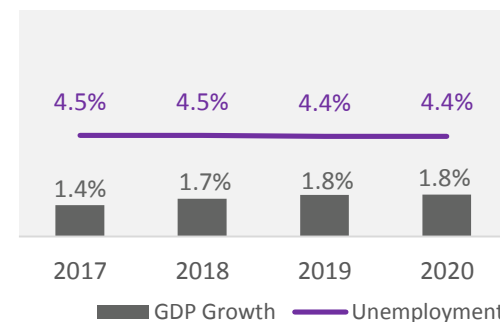


The economic recovery is under way in Russia, although consumer sentiment remains fragile. Some recovery in average wages has been seen, along with slightly lower unemployment, but underemployment reportedly remains a significant challenge.

UK



Rising levels of uncertainty and caution driven by the onset of the Brexit process are keeping economic growth in check in the UK. The labor market, which has thus far remained resilient, is expected to see growing pressure heading into 2018.

COUNTRY SPOTLIGHT
NORWAY

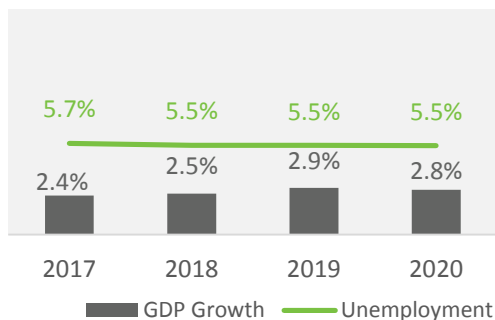
The downturn in oil prices has had a significant dampening effect on Norway's economy, due to a direct decline in petroleum investments as well as a slowdown in the manufacturing and services sectors that supply the oil industry.

The recovery in oil prices, along with improving business and consumer sentiment, is expected to provide a slight lift to the economy, which is forecast to expand by 1.4% in 2017.

Employment in Norway fell by 0.1% in 2016 and dropped again in Q1 2017. However, the labor market is expected to recover somewhat as the year progresses. While demand for industrial and manufacturing workers remains soft, job growth in the public sector, mainly health and social services, is a key supporting factor.

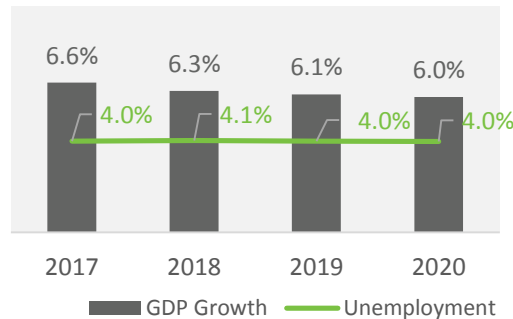
APAC continues to drive the world's economy, led by the powerhouses of India and China, and supported by strong performances and outlooks in many southeast Asian countries. IHS Markit forecasts that half of total global growth over the coming decade will come from the APAC region.

AUSTRALIA



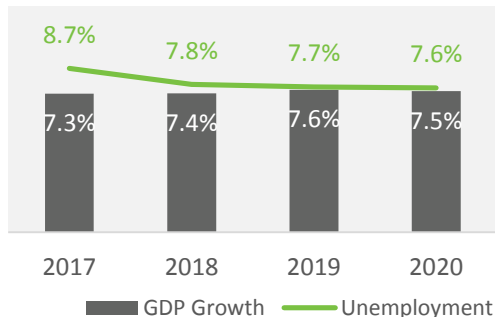
Australia's economy will be supported by strong export activity in the natural resources sector, particularly in LNG (liquefied natural gas). Employment gains have been impressive in recent months, but wage growth remains tepid.

CHINA



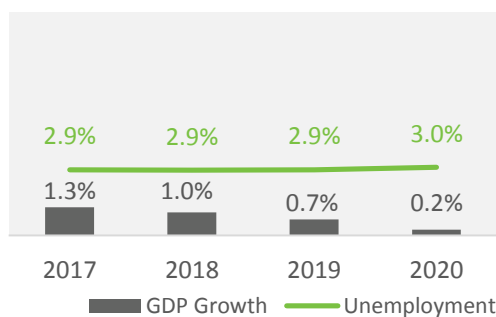
China saw stronger-than-expected growth in the second quarter of 2017, but the economy is still expected to cool off in the coming years. The labor market has absorbed 7.95 million new college graduates in 2017, up about 300,000 from 2016.

INDIA



Consumer spending and ongoing structural reforms continue to keep India's growth elevated, although the new Goods and Services Tax may be a temporary headwind. Challenges in the labor market include reskilling workers and high levels of informality.

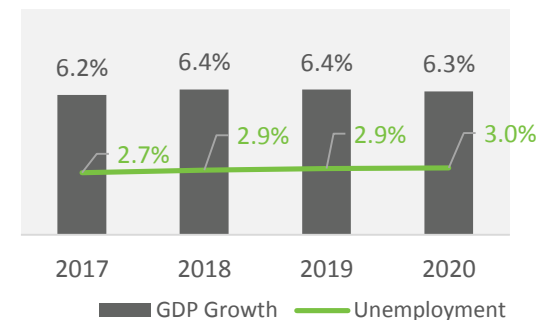
JAPAN



Economic growth in Japan was surprisingly strong in Q2 2017, and is expected to remain modest through 2018. The unemployment rate fell to a 23-year low in June 2017; the tight labor market has not led to significantly higher wages, however.

COUNTRY SPOTLIGHT

VIETNAM



Vietnam's economic outlook is resilient despite global headwinds, driven by a favorable FDI environment as well as buoyant consumer spending. The economy grew by 6.2% in Q2 2017, with a modest acceleration expected in the coming years.

Industrial production has played a critical role in Vietnam's economic development, and it is expected to remain a key driver going forward. The country's large labor force, relatively low wages, and favorable geographical location are expected to keep FDI levels strong.

Although the unemployment rate in Vietnam is low, employment opportunities vary widely by sectors and regions; aligning jobs with workers' skill levels remains a significant challenge.

Equal pay measures have been enacted in Germany and introduced in Canada and Japan, while regulations covering remote/flexible work have been approved in Italy and Brazil. In the US, several sub-national laws that address employee/job applicant privacy have been passed.

CANADA

A recently proposed bill would introduce equal pay for equal work for all types of employees, including casual, part-time, temporary, seasonal and full-time.

UNITED STATES

New state- and city-level legislation includes: in Oregon, Massachusetts, and New York City, new laws ban questions about an employee's or applicant's salary history; California has a new law that imposes additional burdens on employers' use of criminal background checks in job decisions; and new regulations in Florida and Texas standardize requirements for ride-sharing services such as Uber and Lyft, and classify their workers as independent contractors.

BRAZIL

A new bill approved by Brazil's Senate in July introduces more than 100 changes to the Brazilian Labor Law. The bill provides more flexibility for part-time work and temporary contracts; gives companies more flexibility to allocate work hours and vacation time; and regulates remote work, among numerous other provisions.

POLAND

An amendment to the Temporary Work Act came into effect on June 1. Its key provision is that temporary workers can work for a client for a maximum of 18 months within a period of 36 consecutive months. It also includes new rules surrounding record-keeping and other documentation for temporary workers.

ITALY

The Italian Parliament approved the text of a law regulating new protections for flexible employment practices (or 'smart working') and independent contractors. The law addresses issues such as confidentiality, security of equipment and information, and working time.

GERMANY

In March 2017, the German Parliament passed an act that promotes pay equity between men and women who perform the same work or work of equal value. The act gives workers the right to be informed about average remuneration of workers of the opposite gender in the same job, company, and region.

PHILIPPINES

The Department of Labor and Employment (DOLE) has issued new guidelines governing contracting and subcontracting. Among other provisions, the new guidelines prohibit contracted employees from performing functions that are currently being performed by regular employees of the principal company.

JAPAN

A new action plan enacted by the Ministry of Health, Labor and Welfare includes provisions to align the treatment of regular and non-regular employees, including equal pay. It also aims to strengthen overtime-related regulations and their enforcement.

AUSTRALIA

The 457 visa for foreign workers will be abolished and replaced with a new 'Temporary Skill Shortage Visa' (TSS Visa). The new visa program will have short-term and medium-term components, and more streamlined occupation lists. Full implementation is to be completed by March 2018.

GLOBAL TALENT SPOTLIGHT: AUTOMATION/ROBOTICS

THE AUTOMATION REVOLUTION

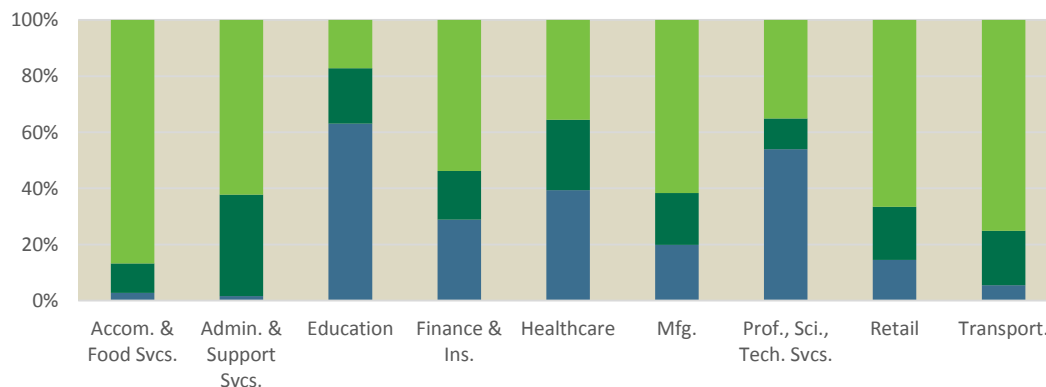
Are robots going to make workers obsolete? Over the past several decades, many routine tasks have been taken over by automation, reducing or even eliminating the need for workers to perform them. And as innovation continues at a rapid-fire pace, automation has again become a hot-button issue that is poised to affect workplaces worldwide. As a result, employees, managers, and policymakers alike are increasingly looking to understand and adapt to technological change in the workforce.

While the risk of automation is highest in occupations that utilize routine skills—including service jobs that have comprised a significant proportion of recent job growth—no job is completely immune. The lowest risk jobs, such as those in education, are those that rely on workers' social, creative, and ideation skills.

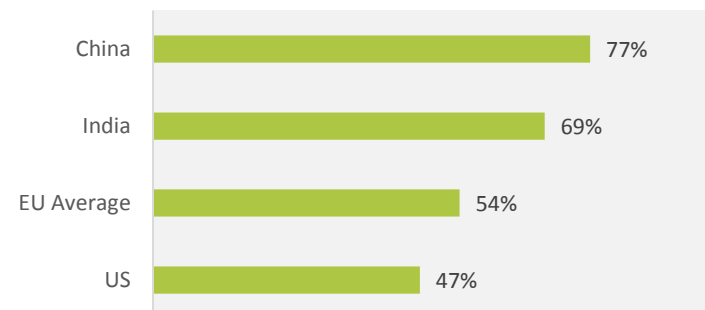
Differences in methodologies and categorizations make it hard to compare automation risk across countries, but recent studies estimate that around 47% of US employment, and an average of 54% of jobs in EU member countries, are at risk. The developing world may see more significant impacts, however: the World Bank recently estimated that 77% of jobs in China and 69% of jobs in India may be susceptible to automation. China in particular is seeing rapid adoption of automation: it is the world's largest and fastest growing market for industrial robots.

EMPLOYMENT AT RISK OF AUTOMATION BY INDUSTRY

■ Low Risk ■ Medium Risk ■ High Risk

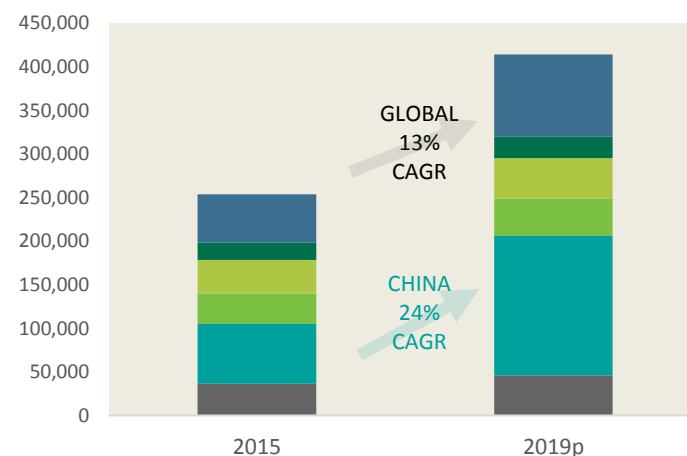


EMPLOYMENT AT RISK OF AUTOMATION BY GEOGRAPHY



EST. ANNUAL SHIPMENTS OF INDUSTRIAL ROBOTS

■ N. America ■ China ■ Japan ■ S.Korea ■ Germany ■ Other



WORKFORCE SOLUTIONS SPOTLIGHT: NEXT-GENERATION MSP

CHANGING DRIVERS IN A MATURING MARKET

The value proposition of traditional MSPs centered on cost reduction and creating efficiencies in temporary worker management and spend. As the market has evolved along with client business imperatives, however, next-generation MSPs are being tasked to provide a broader, more strategic range of solutions.

MSP clients today face a dynamic talent marketplace, with challenges ranging from skilled labor shortages to a multiplicity of worker types to evolving technologies. In addition, the MSP model, particularly in countries such as the US and UK, has become much more mature, with contracts now reaching third- and fourth-generations. As such, the needs and expectations of MSP clients continue to expand and grow.

In 2017, the top driver for clients in adopting an MSP is the desire to improve visibility into the organization's entire contingent workforce, according to Nelson Hall. Managing compliance risk is second, followed by the desire for a collaborative relationship. Fourth is cost savings, often cited as the number one client priority in first-generation MSP contracts, but often moving down the list as MSP programs and client needs mature.

Traditional MSP Drivers	TRADITIONAL MSP		NEXT-GENERATION MSP	
	COST REDUCTION	Operational efficiencies, temporary labor cost optimization	➡	Cost reduction through IC/SOW spend optimization, better demand management
	SPEND VISIBILITY	Ability of MSP to provide visibility into and control temporary labor spend	➡	Ability of MSP to affect complete contingent (and possibly permanent) hiring spend
	COMPLIANCE	Strict adherence/guidance to external policies and regulations	➡	Strict adherence to external and internal policies through centralization/ standardization
	EXPERTISE NEEDED	Looks to MSP to bring efficiency to temporary labor management	➡	Views MSP as a partner in achieving strategic organizational goals
	TECHNOLOGY	Technology for temporary labor acquisition and management	➡	Technology for complete contingent and permanent talent acquisition/ management
	QUALITY	Focus on service quality	➡	Focus on talent quality
	New Drivers			
			➡	Access to scarce critical talent
			➡	Integrated/ blended workforce planning

MSP CLIENTS: KEY DRIVERS OF ADOPTION 2017

- CW Visibility**
 - Identifying number of/spend on contingent workers across all categories
 - Reducing rogue spend
- Compliance**
 - Minimizing organizational risk
 - Local/global needs depending on regulations
- Client Journey/ Partnership**
 - Seeking competitive edge in talent strategy
 - Demanding continuous improvement/innovation in MSP
- Cost Savings**
 - Ability to offer initial and ongoing savings as the MSP contract matures
- Technology/ Analytics**
 - Integrating best-in-market technologies/ tools
 - Enabling insights into talent data

ABOUT KELLY SERVICES®

As a global leader in providing workforce solutions, Kelly Services, Inc. (Nasdaq: KELYA, KELYB) and its subsidiaries offer a comprehensive array of outsourcing and consulting services as well as world-class staffing on a temporary, temporary-to-hire, and direct-hire basis. Kelly® directly employs nearly 500,000 people around the world in addition to having a role in connecting thousands more with work through its global network of talent suppliers and partners. Revenue in 2016 was \$5.3 billion. Visit kellyservices.com and connect with us on [Facebook](#), [LinkedIn](#), & [Twitter](#).

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